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UniSourceEnergy
SERVICES

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April 1, 2010

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: **Demand-Side Management Surcharge Rider R-2.**
Docket Nos. G-04204A-06-0463, G-04204A-06-0013 and
G-04204A-05-0831, Decision No. 70011

Pursuant to Decision No. 70011 (November 27, 2008) UNS Gas, Inc. ("UNS Gas") hereby submits its Demand-Side Management Surcharge ("DSMS") Rider R-2, for filing and approval. A clean and redlined DSMS Pricing Plan is attached. The purpose of this filing is to seek Commission approval to revise the DSMS effective June 1, 2010. The requested DSMS is \$0.007900 per therm and will replace the current rate of \$0.0076 per therm, which was effective on customer bills beginning June 1, 2009.

The proposed DSMS of \$0.007900 consists of program-to-date expenditures and 2010 budgeted costs. The program-to-date expenditures and 2010 budgeted costs consist of expenses for the Low-Income Weatherization Program, Energy Smart Homes Program, Efficient Home Heating Program, C&I Facilities Gas Efficiency Program, CC&B Database Development, and the UNS Gas Baseline Study. The program-to-date expenditures also contain costs for Measurement, Evaluation and Research.

If you have any questions, please contact me at (520) 884-3680.

Respectfully Submitted,

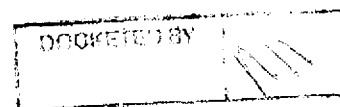
Jessica Bryne
Regulatory Services

cc: Steve Olea, ACC
Bob Gray, ACC
Julie McNeely-Kirwan, ACC
Compliance, ACC

Arizona Corporation Commission

DOCKETED

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**UNS Gas, Inc.
Rider R-2
Demand Side Management Surcharge (DSMS)**

APPLICABILITY

The Demand Side Management Surcharge (DSMS) applies to all customers, except customers who take service under the Customer Assistance Residential Energy Support (C.A.R.E.S) pricing plan, in all territory served by UNS Gas, Inc as mandated by the Arizona Corporation Commission, unless otherwise specified. C.A.R.E.S. customers taking service under pricing plan R-12 are exempt from any DSM surcharges effective June 1, 2009.

RATE

The DSMS shall be applied to all monthly net bills at the following rate:

All therms \$0.007900 per therm

REQUIREMENTS

The UNS Gas, Inc. DSMS will be calculated and filed with the Arizona Corporation Commission (ACC) for approval on or before April 1st. The ACC will approve the surcharge to be billed to all applicable pricing plans for twelve (12) months beginning each June 1.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company, and/or the price of, or revenue from, gas sales or service sold and/or the volume of gas sales generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file from time to time with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Gas Service Area

Tariff No.: Rider R-2 DSMS
Effective: June 1, 2010
Page No.: 1 of 1



UNS Gas, Inc.
Rider R-2
Demand Side Management Surcharge (DSMS)

APPLICABILITY

The Demand Side Management Surcharge (DSMS) applies to all customers, except customers who take service under the Customer Assistance Residential Energy Support (C.A.R.E.S) pricing plan, in all territory served by UNS Gas, Inc as mandated by the Arizona Corporation Commission, unless otherwise specified. C.A.R.E.S. customers taking service under pricing plan R-12 are exempt from any DSM surcharges effective June 1, 2009.

RATE

The DSMS shall be applied to all monthly net bills at the following rate:

All therms \$0.0079006 per therm

REQUIREMENTS

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To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company, and/or the price of, or revenue from, gas sales or service sold and/or the volume of gas sales generated or purchased for sale and/or sold hereunder.

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The standard Rules and Regulations of the Company as on file from time to time with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Gas Service Area

Tariff No.: Rider R-2 DSMS
Effective: June 1, 201009
Page No.: 1 of 1

UNS GAS
COMPUTATION OF DSM SURCHARGE
EFFECTIVE JUNE 1, 2010 to MAY 31, 2011

<u>Rate Calculation</u>		<u>UNS GAS</u>	
(a)	Program Budget To-date:	\$1,174,205	Source: UNSG
(b)	Program Collection To-date:	\$1,071,484	Source: DSM Revenue (GL)
(c)	Under (Over) Collected	\$102,721	(a) - (b)
(d)	Program Expenditures (2010)	\$1,030,810	
(e)	Under (Over) Collected (above)	\$102,721	(c)
(f)	Total Budget to be Collected:	<u>\$1,133,531</u>	(d) + (e)
(g)	Forecast Retail Therms Twelve Month End May 31, 2011	\$143,584,385	Source: Therms
(h)	DSM SURCHARGE EFFECTIVE JUNE 1, 2010	<u>\$0.007900</u>	(f) / (g)
(i)	Current rate through May 31, 2010	\$0.007600	
(j)	Change in rate	\$0.000300	(h) - (i)

UNSG 2010 Budgets for Adjustor

Program	2010 Budget	2009 Expenditures
Residential Efficiency Programs		
Low-Income Weatherization	\$ 120,305	\$ 138,377
Energy Smart Homes	\$ 311,905	\$ 176,252
Efficient Home Heating	\$ 238,703	\$ 151,418
Residential Subtotal	\$ 670,913	\$ 466,047
Non-Residential Efficiency Programs		
C&I Facilities Gas Efficiency	\$ 212,180	\$ 100,411
Program Totals	\$ 883,092	\$ 566,457
Measurement, Evaluation & Research ⁽¹⁾	\$ -	\$ 114,202
CC&B Database Development	\$ 20,000	\$ 15,926
UNSG Baseline Study	\$ 127,718	\$ 5,107

Total **\$ 1,030,810** **\$ 701,692**

(1) Measurement, Evaluation and Research costs include costs for program design, evaluation, and technical assistance. The projected costs for 2010 are included in the individual program budgets.

UNS Gas Inc. Forecast Therms June 2009 - May 2010

Sales (Therms)						
Year	Residential	Commercial	Industrial	Other	Transport	Total Sales (Therms)
Jun-10	1,884,913	1,488,067	135,022	134,154	3,680,096	7,322,252
Jul-10	1,708,618	1,327,140	137,200	108,280	5,309,603	8,590,841
Aug-10	1,758,867	1,374,892	108,711	124,915	4,750,395	8,117,780
Sep-10	1,872,859	1,376,460	113,189	143,853	3,135,879	6,642,240
Oct-10	3,485,113	2,073,384	131,742	353,400	1,774,159	7,817,797
Nov-10	7,528,340	3,019,043	205,595	707,513	1,708,381	13,168,871
Dec-10	13,774,275	4,807,445	206,037	1,324,543	1,884,453	21,996,753
Jan-11	13,383,419	4,533,705	267,342	1,263,547	2,533,987	21,982,000
Feb-11	11,019,903	3,850,259	242,792	1,011,735	2,525,289	18,649,978
Mar-11	8,411,791	3,156,204	221,769	859,514	2,461,535	15,110,812
Apr-11	5,080,403	2,269,615	180,558	468,540	2,130,669	10,129,785
May-11	2,820,026	1,674,567	160,254	247,741	2,845,445	7,748,032
						147,277,142 A

2009 CARES Therms	3,628,886	B
Total 2009 UNSG Therms	144,729,791	C
Percent of Cares to Total 2009 Sales	3%	D=B/C
Total Therms to Remove for Cares Exclusion	3,692,757	E=A * D

Total Therms	143,584,385	F=(A - E)
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